

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

Victor Plastics, Inc.,

Debtor.

Bky. No. 08-40171-DDO
Chapter 7

Julia A. Christians, Trustee for the Bankruptcy
Estate of Victor Plastics, Inc.,

Plaintiff,

v.

Adv. Pro. No.09-04194

T L I Holding Corp.,

Defendant.

THIS SETTLEMENT AGREEMENT, dated as of March 19, 2010, is made by and between Julia A. Christians, as Chapter 7 Trustee for the Bankruptcy Estate of Victor Plastics, Inc. ("Trustee") and T L I Holding Corp. ("Creditor") (together referred to as the "Parties").

RECITALS

WHEREAS, on January 15, 2008, Victor Plastics, Inc., filed a voluntary bankruptcy petition under chapter 11 of title 11 of the United States Code ("Bankruptcy Code") in the United States Bankruptcy Court for the District of Minnesota ("Bankruptcy Court");

WHEREAS, by Order entered July 25, 2008, the Bankruptcy Court ordered that the case be converted to one under Chapter 7 of the Bankruptcy Code, and Julia A. Christians was appointed the Chapter 7 Trustee for the Bankruptcy Estate of Victor Plastics, Inc.;

WHEREAS, the Creditor filed a general unsecured claim, Claim No.276, against the Victor Plastics, Inc., bankruptcy estate in the amount of \$6,584.55 ("Proof of Claim");

WHEREAS, the Trustee has alleged that the Creditor received preferential transfers from the Debtor in the amount of \$12,096.00 (the "Transfers"), and has made demand ("the Preference Claim") for repayment of the Transfers; and

WHEREAS, Creditor has raised various defenses to the Preference Claim, including ordinary-course and subsequent new value;

WHEREAS, in the interest of settlement and compromise, the Trustee and the Creditor have agreed to settle the Preference Claim in accordance with the terms and conditions of this Settlement Agreement.

NOW THEREFORE, in consideration of the premises and of the mutual promises and covenants contained herein, the Trustee and the Creditor hereby stipulate and agree and follows:

1. In full and final settlement of the Preference Claim, the Creditor shall pay to the Trustee the amount of Three Thousand Five Hundred Dollars (\$3,500.00) ("Settlement Payment"). The Settlement Payment shall be made in seven monthly installments of \$500.00 each in the form of a check or money order made payable to "Julia A. Christians, Trustee." The first installment shall be due on the 15th day of the month in which court approval of this settlement shall have been entered. The settlement payments shall be delivered to the Trustee's office at One Financial Plaza, Suite 2500, 120 South Sixth Street, Minneapolis, MN 55402.

2. In the event Creditor defaults in its payment obligations under this Settlement Agreement, and such default shall continue for ten days following notice from the Trustee, Creditor consents to the Trustee's obtaining by application to the Court pursuant to this Settlement Agreement entry of judgment against Creditor in the amount of Five Thousand Eight Hundred Dollars (\$5,800.00), less any amounts which may have been paid.

3. The Creditor waives any claims pursuant to 11 U.S.C. §502(h) arising from the Settlement Payment.

4. Upon completion of the settlement, the Trustee, her agents, employees and representatives, the Victor Plastics, Inc., Bankruptcy Estate, and their successors or assigns, waive and release any and all further claims against the Creditor.

5. Following the parties' execution of this Settlement Agreement, the Trustee will reference this Settlement Agreement in a limited notice of settlement that will be filed with the bankruptcy court.

6. Within a reasonable time following completion of the Settlement Payment, the Parties shall file with the Court a stipulation of dismissal of the adversary proceeding with prejudice and without costs to either Party, with each party to bear its own costs.

7. It is understood that this Settlement Agreement is a compromise of disputed claims and that any payment made hereunder is not to be construed as an admission of any liability by the Creditor for the Preference Claim.

8. In the event that this Settlement Agreement is for any reason not approved by the Bankruptcy Court the Parties shall be restored to their respective claims and defenses.

9. This Settlement Agreement shall be binding upon and inure to the benefit of each of the Parties and their respective successors and assigns and any successor of any of them.

10. This Settlement Agreement shall be construed, and the rights and liabilities of the Parties shall be determined, in accordance with the laws of the State of Minnesota and applicable federal law. The Bankruptcy Court retains exclusive jurisdiction to hear any and all disputes related to this Settlement Agreement.

11. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same agreement. A facsimile signature shall be sufficient to bind the parties as if it were an original signature.

12. Each party warrants and represents that this Settlement Agreement is executed on its behalf by a duly authorized officer or agent.

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed as of the date first written above.

T L I Holding Corp.

By: 

Its Pres.

KALINA, WILLS, GISVOLD & CLARK, P.L.L.P.

By: 

Gordon B. Conn, Jr. (#18375)

6160 Summit Drive, Suite 560

Minneapolis, MN 55430

Tel. (612) 789-9000

Attorneys for Plaintiff

Julia A. Christians, Trustee

**LEONARD, O'BRIEN
SPENCER, GALE & SAYRE, LTD.**

Dated: April 8, 2010

By: 

Matthew R. Burton, #210018
100 South Fifth Street
Suite 2500
Minneapolis, Minnesota 55402
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ATTORNEYS FOR TLI HOLDINGS CORP.